



Committee of the Whole Report For the Meeting of May 5, 2022

To: Committee of the Whole **Date:** April 25, 2022
From: Karen Hoese, Director, Sustainable Planning and Community Development
Subject: **Missing Middle Housing – Engagement Summary and Next Steps**

RECOMMENDATION

1. That Council direct staff to:
 - a. Prepare bylaws to amend:
 - i. The *Zoning Regulation Bylaw* to permit houseplexes, corner townhouses, heritage conserving infill, and accessory uses, as described within this report.
 - ii. The *Zoning Regulation Bylaw* to establish land dedication requirements to support mobility and urban forest objectives, as incentivised by the density bonus structure of proposed zoning for missing middle housing forms.
 - iii. The *Land Use Procedures Bylaw* to delegate development permit approvals to staff for cases where proposed missing middle housing is permitted in zoning, development applications are consistent with the Missing Middle Design Guidelines, and no zoning variances are requested. Also, to establish delegated development permit application fees of \$5,000 for projects with 6 or fewer dwelling units, and \$8,000 for projects with 7 to 12 units.
 - b. Prepare an *Affordable Housing Standards Bylaw* to establish income limits for households qualified to purchase a Below Market Home Ownership unit and a definition of affordable rental housing.
 - c. Bring forward the above-mentioned bylaws and the *OCP Amendment Bylaw* for first and second reading.
 - d. Monitor the impact of any missing middle zoning changes against the achievement of objectives summarized in the Missing Middle Housing Policy and report back to Council with any recommended process, regulatory, and policy improvements in three to four years or earlier if significant unintended effects become more immediately apparent or market conditions change significantly.
 - e. Monitor resourcing implications and report back to Council on any further resourcing implications as part the 2023 budget planning process. Report back sooner with resource implications if a high volume of applications is received.

2. That Council consider approval of the Missing Middle Housing Policy and the updated versions of the Burnside Neighbourhood Plan, Fairfield Neighbourhood Plan, Gonzales Neighbourhood Plan, James Bay Neighbourhood Plan, Jubilee Neighbourhood Plan, Oaklands Neighbourhood Plan, Rockland Neighbourhood Plan, and Victoria West Neighbourhood Plan at the same Council meeting at which the above bylaw amendments are considered.
3. That upon approval of the Missing Middle Housing Policy and updated versions of neighbourhood plans, Council rescinds the previous versions of said neighbourhood plans.

EXECUTIVE SUMMARY

The purpose of this report is to provide Council with a summary of engagement on the Missing Middle Housing Initiative, how the engagement results and further analysis has informed recommended policy and regulatory changes, and to seek direction to prepare bylaw amendments.

Phase two engagement demonstrated strong support for making it easier to build envisioned forms of missing middle housing, including the delegation of development permits, and encouraged broadening the permissibility of three storeys with the added requirement of an adaptable housing unit in houseplexes. Additional analysis has informed revised recommendations for bylaw and policy changes that align with phase two engagement feedback. In particular, this analysis has guided the balancing of a proposed density bonus structure for zoning that would maximize contributions toward affordable housing and other amenities without eliminating the financial basis for creating more missing middle homes.

The recommended bylaw and policy changes would implement the direction Council provided through actions 14 and 17 of the 2019-2022 Strategic Plan's Objective #3, Affordable Housing. Further, the changes provide implementation of the Official Community Plan's broad support for ground-oriented (i.e., missing middle) housing forms within Traditional Residential areas. The housing that could be permitted would help families find three-bedroom homes, making it easier to stay in the city, offer housing choice that will allow families to reduce household transportation costs, and support Victoria's local economy within neighbourhood commercial villages that help meet daily needs. Requirements for adaptable units and accessible parking spaces align with the City's Accessibility and Inclusion Policy and goals in the 2020 Accessibility Framework.

Making it easier to build new missing middle homes also aligns with the Victoria Climate Leadership Plan goals relating to buildings with increased energy efficiency, smart land use, improved access to low carbon mobility, and early adaptation to a changing climate. Various aspects of the recommended zoning stand to implement the Urban Forest Master Plan goals, including the protection, enhancement, and expansion of Victoria's urban forest. Parking regulations that encourage the inclusion of Transportation Demand Management measures help make it easier for more Victorians to live car-lite and car-free lifestyles, helping to further the vision of Go Victoria and achieve targets to increase sustainable mode share and reduce average vehicle ownership per household.

In conclusion, making it easier to build missing middle homes in Victoria progresses the City's strategic goals to support the evolution of increasingly complete, connected, accessible, low carbon, and resilient communities.

PURPOSE

The purpose of this report is to provide Council with a summary of engagement on the Missing Middle housing initiative, to demonstrate how the engagement results and further analysis has informed recommended policy and regulatory changes, and to seek direction to prepare bylaw amendments for consideration at a Public Hearing.

BACKGROUND

The Missing Middle housing initiative seeks to implement the Official Community Plan (OCP) and the 2019-2022 Strategic Plan by increasing housing choices for families and other households seeking alternatives to single-detached housing in complete, walkable neighbourhoods. The Housing Needs Assessment for the City of Victoria noted, as one of the top six key areas of local housing need, that family-sized housing in the core of the region is increasingly out of reach for families with children.

The zoning changes under consideration would implement the OCP's broad support for ground-oriented housing by creating regulations with an allowable 'menu' of housing forms. These would include townhouses on block ends and houseplexes on block ends or mid-block, while requiring green backyards and tree planting space as well as establishing new incentives for affordable housing reserve fund contributions and designation of heritage homes. Proactively enabling these forms of housing within zoning also creates the opportunity to simplify the development approval process for these forms through delegation of development permit approvals.

Council considered this approach to making it easier to provide missing middle housing forms and passed the following motion at the August 5, 2021 meeting:

That Council direct staff to:

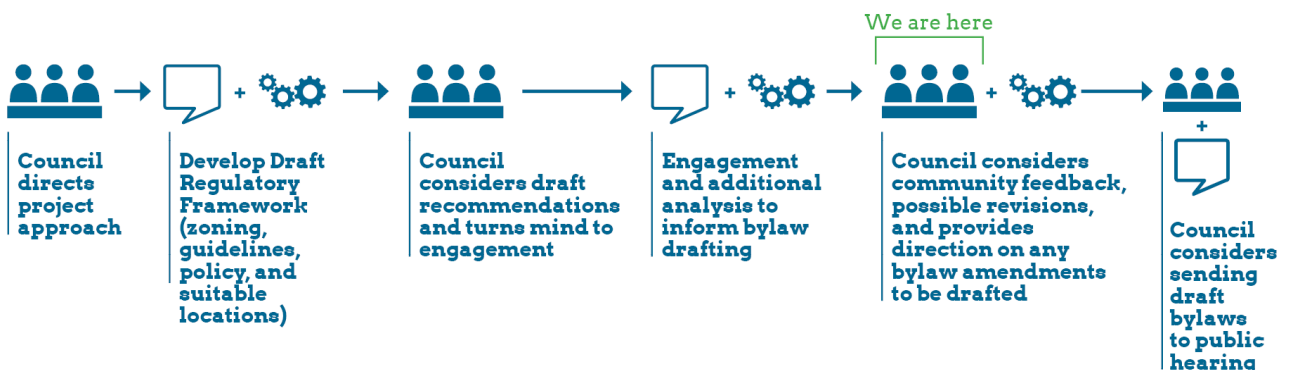
1. *Undertake broad consultation regarding policy and regulatory and delegated process options for enabling missing middle housing while mitigating trade-offs consistent with the approaches outlined in this report.*
2. *Prepare amendments to the Official Community Plan 2012 (OCP) to better support missing middle housing forms, including the following changes:*
 - a. *Expand Development Permit Area (DPA) 15F to all properties designated Traditional Residential and update the Design Guidelines for Attached Residential Development.*
 - b. *Increase the building height policies in the Traditional Residential designation from approximately two and two and a half storeys to approximately three storeys.*
 - c. *Support up to 1.1:1 Floor Space Ratio (FSR).*
3. *Consider consultation under section 475(2)(b) of the Local Government Act and direct staff to refer the Official Community Plan Amendment Bylaw to the Capital Regional District Board, School District 61, Township of Esquimalt, District of Saanich, the District of Oak Bay, the Songhees Nation, the Esquimalt Nation, Island Health, the Province of BC, and the Federal Government.*
4. *Consider consultation under Sections 475(1) and 475(2) of the Local Government Act and direct staff to undertake consultation on the proposed amendments to the Official Community Plan 2012 in accordance with the consultation plan in Attachment A.*

5. Report back to Council with details of the feedback received, estimation of resource impacts, and seek instructions for drafting bylaw amendments.
6. Continue to focus on finding innovative approaches to create new affordable rental and cooperative and ownership housing units.

Following Council’s direction, the next phase of public engagement was launched in October 2021, which ran through the fall and included these events and opportunities to provide feedback:

- City Building Blocks Lunch and Learn – Missing Middle Housing (October 12, 2021)
- Virtual Open House (open October 12 – November 30, 2021) that included the following:
 - A video to learn about the proposed ideas
 - Additional resources to explore the emerging concepts and approaches to zoning for missing middle housing
 - A Q&A section where the public could get answers to their questions from City staff
 - A survey to gather feedback on important choices and trade-offs
 - ‘Ask a Planner’ online sessions (October 30, November 3 and 9, 2021)

This report marks the completion of broad engagement and additional analysis needed to inform bylaw drafting.



ISSUES & ANALYSIS

1. Summary of What We Heard from Public Engagement

The phase two public survey received over 800 responses and demonstrated high levels of agreement with the proposed approaches to regulatory and policy changes that could make it easier to build missing middle housing. After introducing the housing forms presented to Council in July 2021, the survey explained that if these forms of housing are permitted by zoning, development applications would no longer need to go through a rezoning process. Instead, Council could delegate the development permit process to staff, who would evaluate applications for compliance with the proposed Missing Middle Design Guidelines. Respondents indicated strong agreement that applications for houseplexes (82% agreement), townhouses (79% agreement), and heritage conserving infill (76% agreement) should each be able to follow the more streamlined process of a delegated development permit. Only 8% of respondents indicated that none of the housing forms should follow a delegated development permit process.

When asked about the proposed approach of requiring less off-street parking to balance objectives for usable outdoor space and continued growth of Victoria’s urban forest, most respondents (46%) indicated this approach seems “just right,” with smaller groups landing on either side of the issue;

31% of respondents suggested more of a focus on green space, trees, car-lite living, and less off-street parking, while 21% of respondents suggested more of a focus on off-street parking even at the cost of fewer trees, and less green space.

It is notable that while the proposed approach only contemplated allowing three storeys and requiring adaptable units in corner townhouses, a strong majority of survey respondents (73%) suggested that houseplexes should also be allowed three full storeys with a requirement for an adaptable unit. Written feedback on the topic, including feedback from individual members of the Accessibility Advisory Committee, encouraged the proposed approach of creating adaptable units over the more specific requirements for full accessibility, citing the broader orientation of universal design.

The survey demonstrated strong agreement (88%) with the proposed heritage conserving infill form. Engagement with the Heritage Advisory Panel revealed strong concerns about the potential for zoning changes to lead to loss of unprotected heritage buildings, the difficulty of effectively incentivising heritage designation over new construction, and a general concern about widespread change to the city's urban form.

Other written feedback on the survey commonly emphasized a strong theme from Phase 1 engagement regarding the need for these housing forms – especially for young families wanting to stay in the city – even if it means redevelopment of a property where they currently rent. Concerns raised about the potential for zoning to permit these housing forms centred on the inability of such small-scale developments to create secured affordable rental housing units, the potential for renters of existing secondary suites to be displaced by redevelopment, and the elimination of a public engagement process for each application if no rezoning is needed.

Within the context of Council's direction to *"continue to focus on finding innovative approaches to create new affordable rental, coop and affordable ownership housing units,"* staff convened a workshop with non-profit housing providers in the region to explore opportunities for missing middle housing to better enable affordable housing. The workshop revealed that current funding programs for affordable housing push non-profit housing providers to prioritize projects containing higher quantities of smaller units than would be common in missing middle housing forms. Additionally, the high cost of land in Victoria is such a significant barrier to affordable housing projects that, when this barrier can be overcome (e.g., publicly purchased or donated land), it is usually for projects of greater scale than what missing middle zoning could allow. Despite this, participants from the non-profit housing community emphasized that making it easier for the market to supply these scarce forms of housing (especially three-bedroom homes) for those who can afford them is critical to a healthy housing ecosystem. Over time, new attainable housing forms can increase affordability through "filtering," as some occupants of lower-priced housing move into more expensive units, and gradually the newer housing depreciates in value.

Engagement with other housing builders encouraged the City to avoid highly rigid, onerous, and prescriptive regulations, recognized that houseplexes may not be economical to build, and emphasized that allowing townhouses mid-block would result in more missing middle homes.

Please see Attachment A – Missing Middle Housing Initiative Engagement Summary Report to review the detailed feedback received.

Consideration of this initiative by more senior levels of government has led to the City receiving letters of support from Minister David Eby, MLA Grace Lore, and MP Laurel Collins (Attachments B, C, and D, respectively).

2. Summary of Consultation on OCP Amendment Referrals

In response to Council's direction noted in the background section above, a summary of proposed OCP Amendments was referred to the below listed organizations during the Fall 2021 engagement period and followed-up with referral of a draft OCP Amendment Bylaw (Attachment E) to the same organizations and a request for any responses before the close of consultation on April 13, 2022.

Organizations to which OCP Amendments were referred by mail and email:

- Capital Regional District Board
- School District 61
- Township of Esquimalt
- District of Saanich
- District of Oak Bay
- Songhees Nation
- Esquimalt Nation
- Island Health
- Province of BC
- Federal Government.

While the referrals initiated some staff-to-staff clarifications, no formal responses have been received as of submission of this report.

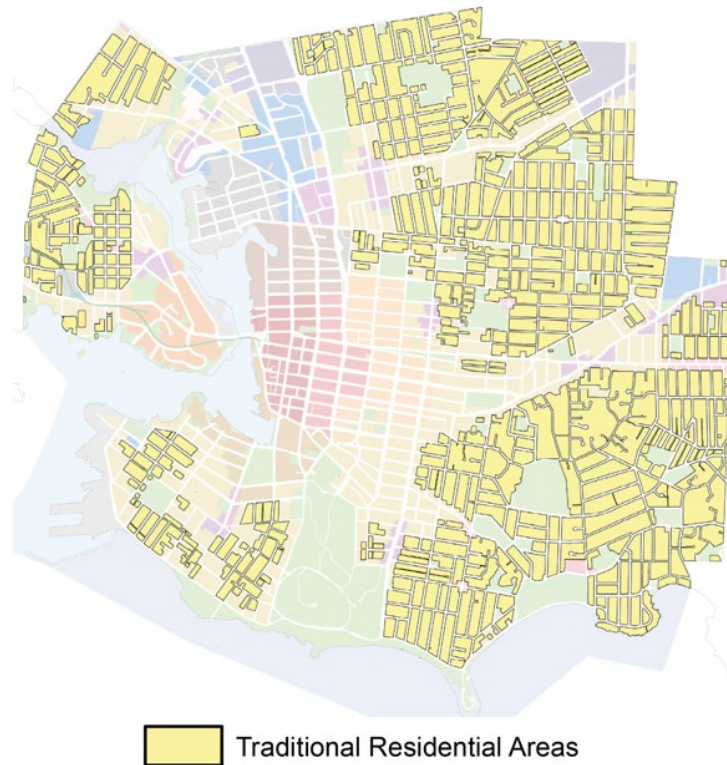
3. Policy and Regulatory Response to Consultation

In addition to potential approaches to City-initiated zoning changes, phase two engagement introduced community members to a Draft Missing Middle Housing Policy (Attachment F), Draft Missing Middle Design Guidelines (Attachment G), and the proposed OCP Amendments (Attachment E).

The Draft Missing Middle Housing Policy ("the policy") would serve as the key companion to the OCP for land use policy guiding any future rezoning applications in Traditional Residential areas. The policy helps implement the existing and higher-level policies of the OCP by providing more specific guidance informed by community engagement and technical analysis undertaken during this process, as well as earlier neighbourhood planning processes. While the proposed City-initiated zoning changes would permit forms of missing middle housing suitable for a wide variety of site conditions and contexts found in Victoria, there are inevitably unique sites and contexts where other forms of missing middle housing not permitted by this initiative that may be highly supportable. The policy therefore establishes core guiding objectives and specific policies intended to ensure missing middle housing is well designed and remains open to other positive forms missing middle housing could take.

Based on Council's direction to undertake a citywide approach to planning for missing middle housing, the policy represents a consolidation and updating of relevant land use policies from neighbourhood plans. Attachment H – Draft Neighbourhood Plan Updates, shows how neighbourhood plan policies relating to Traditional Residential areas would be updated to refer to the policy. The neighbourhood plans for Fernwood, Hillside-Quadra, and North Park are omitted from Attachment H because alignment with the policy is already reflected in the new draft neighbourhood plans for these neighbourhoods, which Council will consider as part of the Village and Corridor planning process.

The Draft Missing Middle Design Guidelines (“the guidelines”) would apply to all Traditional Residential areas if OCP Amendments are approved. The guidelines would require Development Permit applicants to demonstrate how their design achieves the guideline’s objectives for high quality urban design and neighbourliness with adjacent properties. The guideline’s objectives and associated strategies ensure thoughtful, efficient site planning and buildings that present a friendly face to the street, provide human scale building proportions, architectural interest, sensitive transitions to adjacent buildings, high quality materials, and multi-functioning open spaces.



a. Delegated Development Permits

The public survey demonstrated strong agreement that missing middle housing forms should follow a delegated development permit (DDP) process. Accordingly, delegation to staff of development permit approvals is recommended where corner townhouse, houseplex, and heritage conserving infill uses are permitted in zoning, development applications are clearly consistent with the guidelines, and no variances are requested.

In addition to making the process easier, faster, and more certain for applicants, the DDP process would create additional motivation for applicants to clearly demonstrate compliance with the guidelines to avoid the added time and uncertainty associated with triggering a variance or rezoning process. While applications will continue to see significant staff review, ensuring compliance with the design guidelines, plus the review and approval of engineering services, the DDP process eliminates the Council reporting workload for each application which helps expedite the approval process. No variances to zoning would be delegated to staff.

The City of Victoria has experience with the DDP process for garden suites and new multi-family residential, industrial and commercial buildings located in Development Permit Area 16: General Form and Character. DDPs are also a common practice amongst other municipalities that have

proactively zoned for forms of missing middle housing. For example, the City of North Vancouver initiated zoning changes to permit townhouses in Moodyville, and all forms of development permits are delegated to the Director of Planning for approval; in Kelowna, City-initiated zoning changes permit fourplexes and associated development permits are delegated to staff for approval.

An application fee of \$5,000 is recommended for delegated applications to build 6 units or fewer, while a fee of \$8,000 is recommended for applications to build between 7 and 12 units. Corresponding to the reduced staff time otherwise associated with the Council reporting process, these fees represent a discount relative to the application fees that would otherwise apply in a non-delegated approval process.



Artistic renderings of a houseplex (left) and corner townhouses (right) viewed from a pedestrian perspective.

b. Parking Requirements and Transportation Demand Management Substitutions

Noting support for the approach of reducing parking requirements to ensure green usable backyards and continued growth of our urban forest, it is recommended that missing middle zoning allow for Transportation Demand Management (TDM) measures in combination with reduced parking rates. This approach has the potential for localized increased demand for on-street parking; however, it is an approach that is increasingly used across all types of new development to support mobility choice and reduced reliance on private cars.

It is noted that staff are assessing bringing forward a resource request within the 2023 Financial Planning process to build planning and operational capacity for emerging parking and curb side management programs, including any future on street parking changes associated with the missing middle initiative.

As a baseline, if no TDM is provided, the zoning would require 0.77 vehicle parking spaces per dwelling unit, with no parking required for affordable rental housing or accessory dwelling units (i.e., suites). This rate is consistent with future ownership rates envisioned by Go Victoria, the City's Sustainable Mobility Strategy. While currently available data shows Victorians owning 1.1 vehicles per household¹, a target within Go Victoria is to achieve a 30% reduction in vehicle ownership rates relative to 2017 levels (0.77 is 30% less than 1.1). Regardless of the TDM provided on a site, one accessible parking stall would always be required.

Additionally, the zoning would require two bicycle parking stalls per dwelling, with one bike parking stall required for an accessory dwelling unit. A minimum of 15% of the required bike parking stalls would need to be "oversized," meaning they can accommodate a cargo or long-tail bike suitable for

¹ 2017 CRD Origin and Destination Study

carrying children, and 50% of the required bike parking stalls would be required to include electrical outlets. Where a site contains seven or more dwellings, bicycle maintenance facilities would also be required.

The full vehicle parking requirement will be unachievable for standard lot sizes due to proposed requirements, described later in this report, that maintain green, usable backyards and space for a thriving urban forest. The substitution of TDM measures in exchange for required parking ensures most sites have a “pathway to compliance” without needing a variance and supports households with car-lite and car-free living options, as outlined in the table below.

<p style="text-align: center;">TDM Measure Description</p>	<p style="text-align: center;">Substitution of Required Parking <i>*preliminary scoring is shown below and may be refined based on practical considerations during bylaw drafting</i></p>
<p>One membership to a car share organization and an initial \$100 usage credits for the car share organization for every dwelling unit</p>	<p>0.15 parking spaces per dwelling unit</p>
<p>One car share co-op vehicle and dedicated EV-ready parking space on the lot secured through a Car Share Parking Space SRW</p>	<p>0.57 parking spaces per dwelling unit</p>
<p>Where a car share co-op vehicle is not provided: One parking space dedicated for future use by a car share co-op vehicle on the lot secured through a Car Share Parking Space SRW</p>	<p>0.15 parking spaces per dwelling unit</p>
<p>Where all, or at least all but one, dwelling units are secured as rental tenure in perpetuity, one BC Transit public transit pass per dwelling unit for a minimum five-year term for residents of the lot</p>	<p>0.77 parking spaces per transit pass, up to a maximum of one transit pass for each dwelling unit</p>

In some locations, curbside management strategies will become increasingly important to manage demands as missing middle housing is built. Staff will continue to review impacts on parking and bring forward recommendations to Council in the future to align with policy directions in Go Victoria.

c. Urban Design Considerations and Adaptable Units

The survey demonstrated clear support for permitting not just townhouses but also houseplexes as three storey buildings with a requirement for at least one adaptable unit, which is the recommended approach. Phase one financial analysis demonstrated that three full floors of living space are important for houseplexes to approach financial viability. The resulting architectural typologies include buildings that are either semi-submerged or sited at-grade, with a peaked or a flat roof. Accordingly, the proposed design guidelines include guidance to support a diversity of housing forms and address associated urban design considerations.

The semi-submerged housing form envisioned for houseplexes during Phase 1 of this initiative reflects a pattern common in many of Victoria’s existing ground-oriented residential buildings of partially submerged basements and a short set of steps to the first above-grade storey. This architectural approach helps reduce overall building heights relative to an at-grade building with the same number of floors. It also minimizes the scale of external front steps and maintains an elevated but connected relationship between the sidewalk and the first above-grade level. However, depending on the grade of a standard city lot, providing an adaptable unit within this semi-submerged form can require installation of a lift mechanism or ramping through a significant portion of the site to provide the accessible path of travel required by the *BC Building Code*.

Alternatively, a houseplex sited at-grade (instead of being semi-submerged) provides the easiest access to, and improved liveability for units at ground level. This makes it easier to include the required adaptable dwelling unit without the need for ramping and retaining walls or for mechanical lift devices; this in turn also helps with on-site stormwater management. Having a ground level unit may, however, result in a larger stair climb from grade (up to a full storey) to access the units above. For access to the upper floor units, the economic analysis shows that the scale and floor area of the corner townhouse form can accommodate internal front entry stairs, but that including internal front stairs in a houseplex could significantly compromise the already marginal financial viability; accordingly, front entry stairs are expected to be external to the building for houseplexes.



Semi-submerged houseplex



Semi-submerged houseplex with ramping to adaptable unit



At-grade houseplex with stairs to second level

In terms of height, a flat roof facilitates the shortest feasible expression of an at-grade, three-storey building, and architectural testing demonstrates this is achievable with a 9.5m height limit. To avoid prohibiting three-storey pitched roof buildings, it is recommended that the zoning permit a 10.5m height maximum specific to buildings with pitched roofs to avoid limiting the floor area of the top level. With these height limits, a favourably sloped site may allow a semi-submerged houseplex to include a partial storey within a pitched roof, in addition to three full floors below. However, such a configuration is understood to be impractical on a flat site.

The four common low-density zones (R1-A, R1-B, R1-G, and R-2), where new missing middle housing permissions could be added, permit building heights of 7.6m and 2 to 2.5 storeys or 11m and 2.5 storeys for public buildings (it is noted that since basements aren’t counted as a storey, buildings look taller than these “storey” maximums would suggest). The proposed building heights could result in a height difference between new and old buildings of two to three metres or more, depending on whether the neighbouring house was built to the maximum or at a lower height. However, establishing lower maximums than the proposed 9.5m and 10.5m heights, respectively, for flat or pitched roofs would likely require at least some submersion of the building (on a flat site) and eliminate the ability to achieve a building with access at grade. As a result, compliance with the accessible path of travel required for an adaptable unit would then be achieved by ramping or inclusion of a mechanical lift device.

pitched roof height maximums

flat roof height maximum



The design guidelines have been strengthened to encourage both semi-submerged and at-grade buildings to result in a positive relationship with the street. For semi-submerged options, gentle submersion of a first storey is encouraged wherever it can be practically compatible with the required inclusion of an adaptable unit. For at-grade options, guidelines are provided to avoid front stairs that, depending on the site topography, ascend up to a full storey in height, and includes strategies to ensure the best possible expressions of front entry stairs. As an equity consideration regarding the liveability of all homes, the zoning would complement this design guidance with a requirement that the ceiling of the lowest level to be a minimum height above grade that supports daylight access and visual connection to the outside.

d. Financial Analysis and the Density Bonus Structure

The phase two financial analysis (Attachment I) provides insight on how the density bonus structure of missing middle zoning can be balanced to minimize any potential land lift and ensure public benefits result, without altogether eliminating the financial basis for creating missing middle housing. It is proposed that zoning be drafted with a base density of 0.5 floor space ratio (FSR) (generally corresponding to entitlements in existing zoning) and a density bonus structure that allows for the achievement of bonus density to 1.0:1 FSR for houseplexes and 1.1:1 FSR for corner townhouses or heritage conserving infill where a property provides:

- 1) Dedication of land for public right of way to allow for mobility improvements such as accessible sidewalks along with boulevards that support street trees.

AND

- 2) At least one of the following:
 - i. A cash contribution of \$107.64 per square metre (\$10 per square foot) of bonus density, with 70% of the contribution directed to the Victoria Housing Reserve Fund and 30% to the Local Amenities Fund.
 - ii. At least 10% of total dwelling units, with a minimum of one unit provided as a Below Market Home Ownership (BMHO) unit.
 - iii. All, or all but one, dwelling units are secured as rental in perpetuity.
 - iv. At least one secured affordable rental housing unit.
 - v. Heritage designation of a building listed on the City's Heritage Register (applicants can apply to have their property added to the Register prior to applying for designation).

The financial analysis explored houseplexes and townhouses configured both as at-grade three-storey buildings, and semi-submerged buildings that might facilitate an additional partial storey under a pitched roof. The phase one analysis considered high, medium, and lower value areas and generally found marginal viability only in the higher value areas. Therefore, for efficiency, the phase

two analysis assumed sales prices associated with Victoria's higher value areas, corresponding to the southern part of Victoria.

Even before a cash contribution rate of \$10 per square foot of bonus density, the analysis concluded that none of these forms demonstrate a potential land lift (i.e., profit margins above the standard threshold of 15% that construction lenders look for). The cash contribution rate generally corresponds to a 1% reduction in profit margins (excluding costs associated with TDM measures or cash-in-lieu of land dedication) and resulted in profit margins ranging from 0.5% to 8.3% for houseplexes, and 7.3% to 14.3% for townhouses. Resulting contributions to City housing and local amenity funds would range from roughly \$11,000 to \$74,000 per site. Despite the profit margins being either significantly or slightly below the standard threshold, the analysis concluded that construction of houseplexes on larger lots and townhouses is likely viable. This assumes prospective builders will accept tighter profit margins and invest a higher ratio of their own capital to secure more modest construction financing loans. This assumption may be plausible where the development application process is more streamlined, has greater certainty and therefore less risk.

The analysis also considered the alternative of providing a minimum of one BMHO unit instead of the cash contribution. For houseplexes, the cash contribution proves slightly more attractive, while the greater total number of units makes the inverse true for corner townhouses. Based on recent precedents, this analysis assumes housing builders provide or secure their own funds for construction and register the BMHO unit(s) through the Capital Regional District's Affordable Housing Agreements Service. If housing builders participate in BC Housing's Affordable Home Ownership Program (AHOP), the program's requirements and financing is expected to result in most or all the units in a missing middle housing development being delivered as BMHO units.

A BMHO unit would be defined in zoning as a unit sold to a qualifying household for at least 10% below fair market value as determined by a third-party appraisal. It is proposed that an Affordable Housing Standards Bylaw be drafted through which income limits for qualifying households can be established. Through this bylaw, income limits associated with BC Housing's AHOP program, with slightly more stringent limits provided for units registered through the CRD's program, will be tracked. Compared with establishing the income limits within the Zoning Regulation Bylaw, this standalone bylaw could be more easily updated on an annual basis (e.g., as part of the Housing Strategy Annual Review report) to keep income limits in line with changing demographic and market conditions. To further facilitate the proposed density bonus structure, the Affordable Housing Standards Bylaw would also specify the rent rates and incomes associated with the definition of an affordable rental housing unit, which would be updated to maintain alignment with the Housing Strategy's specifications (currently outlined on page 47 of the Phase Two: Victoria Housing Strategy 2019-2022).

e. Rental Housing and Tenant Displacement

The potential for tenant displacement to result from redevelopment of existing detached houses with secondary suites arose as a key concern during community engagement. Consideration of this issue highlighted both a gap in municipal zoning powers, and a challenge inherent in the role secondary suites play in our rental housing system. The secondary rental market tends to provide less housing security than units in the "primary rental market" because homeowners can resume use of their homes, including secondary suites, if they give sufficient notice. The primary rental market refers to purpose-built rental buildings which generally have one owner and professional management of all units in the building. These rental units provide greater long-term security for tenants, which underscores the critical role purpose-built rental housing plays in our overall housing system. This is a key reason the City's Housing Strategy Phase Two includes a strong focus on renters and includes multiple actions to preserve and revitalize existing rental housing as well as

actions to incentivize and facilitate new purpose-built rental housing.

While the City has a Tenant Assistance Policy to help mitigate the impacts of tenant displacement, it only applies to rezoning applications, which would no longer be necessary if missing middle housing becomes permitted within zoning. As staff have been unable to determine a method for zoning or other bylaws to require tenant assistance, the City is advocating for legislative changes to enable tenant assistance requirements to apply beyond rezoning applications (Attachment J – Letter to Honourable David Eby re: Tenant Protections).

Despite the above-noted challenges, zoning for missing middle housing can help ensure no net loss of potential secondary rental market units. It is proposed that a requirement be included in zoning that at least one accessory dwelling unit (suite) must be included in a corner townhouse or houseplex development. In addition to their potential to contribute to the secondary rental market, accessory dwelling units can also provide flexibility for families who need to accommodate a family member, care giver, or meet other evolving needs of their household and can provide a “mortgage helper.”

a. Protected Heritage Properties

Given that the public survey demonstrated strong agreement with the proposed approach, zoning that allows heritage conserving infill and density bonuses for heritage designation of yet-unprotected heritage buildings is recommended as part of City-initiated zoning changes. As noted in the July 29, 2021 Committee of the Whole report, it is recommended that missing middle zoning be applied to all properties with the four common low-density zones (R1-A, R1-B, R1-G, and R-2) in order to maximize equity and minimize land value impacts that might be driven by a perceived scarcity of missing middle permissions. Despite this, it is recommended that zoning be drafted for missing middle housing such that it is not applied to existing heritage-designated properties, nor to properties within existing Heritage Conservation Areas (HCAs). This approach best supports conservation of heritage buildings in their context where already protected and aligns with the intended purpose of the heritage conserving infill use: to incentivise protection of yet-unprotected heritage buildings as much as possible.

4. Summary of Other Recommended Zoning Attributes

In addition to the zoning approaches described in earlier sections of this report, it is recommended that the following approaches be incorporated should Council direct staff to draft zoning that permits missing middle housing.

f. Minimum Proportion of Three-Bedroom Units

It is recommended that zoning be drafted to require that a houseplex or corner townhouse site provide the greater of at least two three-bedroom homes, or that three-bedroom homes comprise at least 30% of total dwellings. This requirement helps to ensure that missing middle housing consistently leads to a net increase in three-bedroom homes. This responds to the high priority public feedback placed on addressing the scarcity of three-bedroom homes – especially three-bedroom homes priced lower than detached houses of comparable age and quality (for context, the Victoria Real Estate Board reported an average re-sale house price of \$1,426,628 for March 2022). We also heard from families that, relative to two bedrooms, three-bedrooms homes are what can be truly considered family-friendly units.

b. Setbacks, Open Space, Lot Coverage, Floor Area Maximum, and Maximum Total Dwellings

In addition to proposed zoning approaches noted earlier, the following proposed zoning attributes are designed primarily to serve the objectives of ensuring green, usable backyards, the continued growth of our urban forest, neighbourliness, accommodation of accessibility features, and limiting the intensity of development on exceptionally large lots which commonly contain high existing canopy cover and sensitive ecosystems.

For houseplexes and corner townhouses:

- 40% minimum open site space
- 40% maximum site coverage

Less stringent requirements proposed to help facilitate heritage conserving infill:

- 30% minimum open site space
- 50% maximum site coverage

Minimum setbacks:

- Rear yard:
 - Greater of 10m or 25% of lot depth for houseplexes
 - See side yard regulations for corner townhouses and heritage conserving infill
- Side yard:
 - Greater of 1.5m or 10% of lot width for houseplexes and corner townhouses
 - 2 m for heritage conserving infill
 - Setback required for a building face that includes windows into a habitable room (i.e., rooms that are not a hallway, bathroom, storage, or kitchen).
 - For corner townhouses: 6 metre - This creates a larger setback from the front or back face of a townhouse row while allowing a lesser setback for the side face of a building.
 - For heritage conserving infill: 5m
- Front yard:
 - 4m for corner townhouses and heritage conserving infill
 - 6.1m for houseplexes

Projections:

- Stairs may project up to 4m into the front yard
- Porches may project up to 2m into the front yard
- Retaining walls and ramps (for access to units on a semi-submerged level) may project up to 2m into the front yard
- Exterior lift devices for accessibility may project 2m into the front and rear yard of houseplexes

Maximum floor area of all floor levels combined: 1410 square metres. For very large lots, this begins to limit the scale of development relative to the maximum density-bonused FSR.

Sites would be limited to creating a maximum of 12 dwelling units with a maximum of six dwelling units per houseplex building, all of which is inclusive of accessory dwelling units.

Exemption of 4 square metres per dwelling unit from the calculation of total FSR, if a residential storage space is designed near the front door to accommodate mobility devices or other household storage needs.

5. Monitoring and Evaluation

Recognizing the conclusion of the financial analysis, that the pace of missing middle housing development is expected to be modest, a three to four year monitoring period is recommended following any zoning changes Council may choose to adopt. A report would be brought forward to Council at the end of this monitoring period, providing an evaluation of outcomes against the core objectives noted in the Missing Middle Housing Policy:

1. Improve options for families to stay in the city
2. Increase the supply and variety of housing
3. Support a 'car-light' lifestyle, public transit use, and walkable neighbourhood centres
4. Ensure that the look and feel of new missing middle housing developments suit the character of the neighbourhood, support social interaction and foster a sense of place
5. Support conservation of heritage and re-use of character homes
6. Support a healthy urban forest
7. Promote accessibility in the built environment

This monitoring report will also include a review of the expedience and effectiveness of the development approval process along with any recommended improvements to the process, zoning, design guidelines, and policy. While zoning changes may reduce the quantity of rezoning applications, a higher volume of development permit applications may come from uptake of the new zoning permissions. This may result in the need for additional staff resources in the departments involved with development application review (including Sustainable Planning & Community Development, Engineering & Public Works, and Parks, Recreation & Facilities). Staff anticipate monitoring the volume of applications and resource implications that may result from any zoning changes for missing middle housing and reporting back to Council through the 2023 budget process on any additional resourcing needs. If market conditions change dramatically, or significant unintended effects become more immediately apparent, staff would not delay in bringing forward a report to Council with recommended remedies.

6. Next Steps

While Council has already directed staff to draft the OCP Amendment Bylaw in service of referring it to specific organizations, this report presents proposed land use policy updates and seeks Council's direction regarding drafting the following bylaws and bringing them forward to Council for first and second reading:

1. Zoning Regulation Amendment Bylaw
2. Affordable Housing Standards Bylaw
3. Land Use Procedures Amendment Bylaw

OPTIONS & IMPACTS

Option 1 (Recommended) – Allow Missing Middle Housing in Zoning with DDP Approval Process

Direct staff to prepare Zoning Regulation Bylaw and Land Use Procedures Bylaw amendments as outlined in this report; and bring all bylaws forward, including the draft OCP Amendment Bylaw, for first and second readings, and consideration at a Public Hearing; also, that Council considers approval of the Missing Middle Housing Policy and Neighbourhood Plan policy updates.

This option includes delegating authority to staff to approve development permit applications for missing middle housing developments that are consistent with design guidelines and do not include zoning variances. This option is the most effective way to achieve the Strategic Plan objective to make it easier to develop houseplexes and townhouses.

Option 2 – Pursue Alternative Approaches

Based on the analysis in this report, Council can direct staff to pursue alternative regulatory approaches to differently manage trade-offs identified through this initiative.

Accessibility Impact Statement

Proposed zoning changes for missing middle housing could help to improve accessibility in ground-oriented housing by requiring adaptable units and accessible parking spaces, creating incentives for storage space usable for mobility devices, and establishing mechanisms for the dedication of right of way needed to achieve more accessible public sidewalks.

2019 – 2022 Strategic Plan

This project is focused on implementing actions 14 and 17 listed under Strategic Plan Objective 3, Affordable Housing.

Impacts to Financial Plan

If Council approves city-wide zoning changes, there would likely be an increase in development permit applications. The magnitude of this resource impact will also depend on whether or not Council chooses to delegate approval authority to staff to approve development permits. While a delegated process would help applicants provide missing middle housing forms more quickly, it will require staff time to process any associated increase in application volumes. However, a city-wide zoning change without delegating development permit approval authority to staff would lead to far greater additional staffing needs as there is a more substantial workflow for reporting to Council relative to a delegated process.

Staff across multiple departments affected by potential changes to the development approval processes will monitor application volumes following bylaw changes and report back through the 2023 budget process regarding additional resources needed.

Any land dedicated to the City, and the features within it (e.g., sidewalks and street trees), will be managed and maintained by the City.

Official Community Plan Consistency Statement

This initiative is generally consistent with the OCP as it seeks to implement the policies associated with the Traditional Residential urban place designation. Some OCP amendments are needed for adjustments to density and building height policies to better facilitate missing middle housing forms and accessibility. An OCP amendment is also needed to strengthen design guidance by expanding DPA 15F to apply to all Traditional Residential areas.

CONCLUSIONS

Phase two public engagement demonstrated strong support for the bylaw and policy changes recommended in this report. These changes would support the gradual evolution of the Victoria's

Traditional Residential areas with expanded housing options that help families find three-bedroom homes, making it easier to stay in the city, support Victoria's local economy, and reduce household transportation costs as well as greenhouse gas emissions.

The recommended changes would implement the direction Council provided through the 2019-2022 Strategic Plan as well as the OCP's policies broadly supporting missing middle housing forms within Traditional Residential areas. The zoning changes are further designed to implement the City's commitments and goals, including those in the 2020 Accessibility Framework, Climate Leadership Plan, Urban Forest Master Plan, and Go Victoria Sustainable Mobility Strategy.

Respectfully submitted,

Malcolm MacLean
Community Planner
Community Planning Division

Karen Hoese, Director
Sustainable Planning and
Community Development Department

Report accepted and recommended by the City Manager.

List of Attachments

- Attachment A - Missing Middle Engagement Summary Report
- Attachment B – Letter of Support for MMHI from Minister David Eby
- Attachment C - Letter of Support for MMHI from MLA Grace Lore
- Attachment D - Letter of Support for MMHI from MP Laurel Collins
- Attachment E - Draft OCP Amendment Bylaw
- Attachment F - Draft Missing Middle Housing Policy
- Attachment G - Draft Missing Middle Design Guidelines
- Attachment H - Draft Neighbourhood Plan Updates
- Attachment I – Financial Analysis for the Missing Middle Housing Initiative
- Attachment J – Letter to Honourable David Eby re: Tenant Protections